

Message Text

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70

ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-11 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 AID-20 COME-00 EB-11 FRB-03 TRSE-00 XMB-07

OPIC-12 CIEP-03 LAB-06 SIL-01 OMB-01 DRC-01 /166 W

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R 261750Z JUL 74

FM AMEMBASSY REYKJAVIK

TO SECSTATE WASHDC 4689

INFO CINCLANT

COMICEDEFOR

USMISSION NATO

AMEMBASSY BONN

AMEMBASSY COPENHAGEN

AMEMBASSY LONDON

AMEMBASSY OSLO

AMEMBASSY STOCKHOLM

UNCLAS REYKJAVIK 1023

E.O. 11652: N/A

TAGS: PINT PFOR MARR ECON IC

SUBJECT: INDEPENDENCE PARTY CHAIRMAN IN WIDE-RANGING INTERVIEW

ON JULY 24, SAME DAY HE FORMALLY ABANDONED EFFORTS TO FORM NEW GOVERNMENT, INDEPENDENCE PARTY CHAIRMAN GEIR HALLGRIMSSON ANSWERED LISTENERS' QUESTIONS ON "OPEN LINE" RADIO PROGRAM. HIGHLIGHTS OF HIS REPLIES, BY TOPIC, WERE AS FOLLOWS:

DEFENSE AND FOREIGN POLICY: HALLGRIMSSON STRESSED NEED FOR PRESENCE OF DEFENSE FORCE IN ICELAND, POINTING OUT GREAT INCREASE IN SOVIET FLEET AND IN SOVIET NAVAL ACTIVITIES IN AREA. CITING EXAMPLE OF FINLAND, HE NOTED DANGER OF SOVIET PRESSURE ON ICELAND IF THERE WERE NO MILITARY COUNTER TO USSR'S ACTIVITIES. ASKED WHETHER PRESENCE OF BASE DID NOT INVITE ATTACK ON ICELAND RATHER THAN PROVIDE SAFEGUARD, HALLGRIMSSON SAID ICELAND, BY UNCLASSIFIED

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VIRTUE OF GEOGRAPHY, WOULD BE STRATEGIC OBJECTIVE EVEN WITHOUT

BASE. DEFENSE FORCE, THEREFORE, WAS NECESSARY SECURITY MEASURE. HALLGRIMSSON WAS ALSO ASKED IF PRESENCE OF US FORCES WAS CONSISTENT WITH ICELAND'S INDEPENDENCE. HE REPLIED THAT, IN FACT, DEFENSE FORCE WAS REQUIREMENT FOR INDEPENDENCE, SINCE IT AFFORDED SECURITY FROM EXTERNAL PRESSURE AND POSSIBLE ATTACK. ON QUESTION OF POTENTIAL SOVIET PRESSURE AS OPPOSED TO PRESSURE ALLEGEDLY APPLIED ON ICELAND BY US, HALLGRIMSSON SAID US HAD NEVER SOUGHT TO PRESSURE ICELAND. HE POINTED TO FONMIN AGUSTSSON'S "INDEPENDENT" FOREIGN POLICY WHICH, HALLGRIMSSON SAID, WAS NOT REALLY SO INDEPENDENT, BUT WHICH AGUSTSSON COULD NOT HAVE PURSUED HAD HE BEEN PRESSURED BY US. HE ASSERTED THAT ICELAND COULD CONDUCT ITS FOREIGN AFFAIRS FREE OF PRESSURE PRECISELY BECAUSE OF DEFENSE ARRANGEMENTS WITH US AND NATO. IN REPLY TO OTHER QUESTIONS, HALLGRIMSSON DENIED HE HAD ANY PERSONAL FINANCIAL INTEREST IN CONTRACTORS THAT WORKED AT BASE, AND SAID THAT ANY FINANCIAL GAIN THAT ACCRUED TO ICELAND AS RESULT OF DEFENSE AGREEMENT WAS IRRELEVANT COMPARED TO GREAT SECURITY IMPORTANCE. ON OTHER HAND, HALLGRIMSSON SAID, INDEPENDENCE PARTY HAD NEVER INSISTED ON INDEFINITE CONTINUATION OF STATUS QUO. PARTY BELIEVED THERE COULD BE FLEXIBILITY ON DEFENSE ARRANGEMENTS, DEPENDING ON RESULTS OF CONTINUING REVIEW. HE HAD HOPED IP, PROGRESSIVES, AND SOCIAL DEMOCRATS COULD HAVE COME TOGETHER ON DEFENSE PLATFORM, SINCE GREAT MAJORITIES IN ALL THREE FAVERED TERMS OF "DEFENDED COUNTRY" PETITION.

DOMESTIC POLITICS: HALLGRIMSSON DID NOT BELIEVE HIS PARTY WAS ISOLATED DESPITE FACT OTHER FOUR PARTIES REFUSED TO DISCUSS GOVERNMENT FORMATION WITH HIM. HE SAID HE COULD NOT SEE HOW THESE FOUR COULD COOPERATE IN GOVERNMENT AND STILL LIVE UP TO CAMPAIGN PLATFORMS, AND HE REFUSED TO RULE OUT IP PARTICIPATION IN EVENTUAL COALITION. HALLGRIMSSON SAID HE DID NOT AGREE WITH SOME IN IP WHO THOUGHT PARTY SHOULD REMAIN IN OPPOSITION, LETTING OTHERS COPE WITH SEVERE PROBLEMS. THIS, HE SAID, WOULD BE EVASION OF RESPONSIBILITY.

ECONOMY: HIGH STANDARD OF LIVING ENJOYED BY ICELANDERS IS ILLUSORY. NATION HAS BEEN LIVING BEYOND ITS MEANS SINCE LEFTIST GOVERNMENT CAME TO POWER IN 1971. SOLUTION TO ICELAND'S ECONOMIC PROBLEMS DEPENDS PRIMARILY ON CUT IN GOVERNMENT EXPENDITURES (POINT MADE SEVERAL TIMES), REDUCTION IN FOREIGN

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BORROWING, ADJUSTMENT IN VALUE OF KRONUR (WHICH HE SAID IS GREATLY INFLATED), AND STEPS TO CURTAIL WAGE/PRICE SPIRAL. HALLGRIMSSON REJECTED GOVERNMENT'S EFFORTS TO BLAME ECONOMIC PROBLEMS ON CONDITIONS ABROAD AND ON 1973 WESTMANN ISLANDS ERUPTION. HE CLAIMED THAT LAST IP GOVERNMENT HAD MANAGED TO COPE WITH MORE SEVERE PROBLEMS WHEN IT WAS IN OFFICE. TO HELP FISHING INDUSTRY, HALLGRIMSSON CALLED FOR SUBSIDIES AND LOWERING OF PRICES AND WAGES AS WELL AS CURRENCY DEVALUATION.

IRVING

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